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SENSITIVE
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SUBJECT: USAID Acting Administrator Meeting with Donors in Khartoum

1. (SBU) Summary: On October 24, USAID Acting Administrator Alonzo Fulgham and Acting Assistant Administrator for USAID's Bureau for Democracy, Conflict, and Humanitarian Assistance (USAID/DCHA) Susan Reichle met with donors and UN representatives in Khartoum as part of an October 24 - 27 delegation visit to Sudan. Donors commented positively on the longer-term engagement represented by the U.S. Government's newly announced Sudan strategy and noted the negative impact of deteriorating security in Darfur and Southern Sudan. End summary.

DONORS, UN MEET USAID DELEGATION IN KHARTOUM

2. (U) On October 24, USAID Acting Administrator Fulgham and Acting USAID/DCHA Assistant Administrator Susan Reichle met with representatives of the donor community and UN agencies in Khartoum. UN Deputy Special Representative of the Secretary-General Ameerah Hag, UNMIS, WFP, and UNDP officials represented the UN, while officials from the U.K. Department for International Development (DFID), European Union, the Dutch Embassy, and the International Monetary Fund participated from the donor community.

URGENT ISSUES, LONG-TERM CHALLENGES

3. (SBU) Donor representatives noted that donors face considerable tension between addressing urgent issues, such as preparing for a post-referendum Sudan, and continuing to focus on longer-term issues. The elections and the referendum are rapidly approaching; thus, post-referendum issues related to wealth-sharing, border demarcation, grazing rights, and migration and citizenship must be immediately addressed. However, balancing these shorter-term foci with strategic and concerted engagement in developing host-country governance capacity, particularly in southern Sudan, is necessary.

4. (SBU) Donor and UN representatives noted that building indigenous southern Sudanese capacity to work in the public and private sectors is a long-term endeavor requiring significant donor engagement, perhaps for 15 years or longer. Education plays a critical role in this capacity-building process, as the Southern Sudanese workforce currently lacks sufficient educational background and training for civil service employment.

5. (SBU) The IMF representative stressed that the central challenge of capacity-building in Southern Sudan is in the area of fiscal viability, given that an estimated 95 to 98 percent of Southern Sudan revenue is derived from transfers from the North. Without core economic governance arrangements and capacity, the Government of Southern Sudan (GOSS) would lack the resources to pay civil servants. Donors stated that capacity gains must be accompanied by concomitant improvements in transparency and accountability, citing specific and recent examples of GOSS shortcomings in these areas.

6. (SBU) Several donors commented positively on the new U.S. Government (USG) Sudan policy, noting that the policy signals a longer-term engagement and commitment on the part of the USG. Donor representatives opined that such a long-term perspective is necessary on the part of all donors to build Sudanese capacity and create the conditions for private sector investment.

LACK OF GOSS CLARITY ON GOALS, VISION FOR FUTURE

7. (SBU) Donors commented that the GOSS must focus more intently on defining and communicating a vision for its future rather than merely identifying policies that the GOSS is against. (Note: One donor cited the example of how the GOSS failed to explain the purpose and importance of the census to the Southern Sudanese people. End note.) Donors recommended that the USG encourage the GOSS to recognize the consequences of such oversights and take corrective measures going forward, particularly in preparation for the upcoming elections and referendum.

HUMANITARIAN AND DEVELOPMENT CHALLENGES

8. (SBU) Turning to humanitarian and development challenges, the DFID representative noted that partnership with national NGOs is a

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central issue facing donor relations with the Sudanese government. The DFID representative stressed that donors agree, in principle, with a "Sudanization" approach to build local capacity in humanitarian, early recovery, and development efforts. However, she added that national NGOs are not active in all sectors and localities, and they typically lack both the capacity to implement programs and the necessary fiscal transparency. These deficiencies constrain donor buy-in to the Sudanization approach. He reasoned that, because North-South issues are coming to the forefront as elections and the referendum approach, the GOSS would avoid facing resource-intensive drains on two fronts.

¶10. (SBU) According to the donor representatives, multiple factors threaten security in Southern Sudan. These include not only internal threats, such as inter- and intra-tribal conflicts, but also external influences that have interests in undermining stability in the region. Donors noted that slow development of the GOSS police force poses a particular challenge. Young men represent a high-risk demographic, as this population often lacks employment, education, and skills. In addition, youths typically have access to arms and are easily organized into militias.

¶11. (SBU) Donors also stressed the importance of extending donor efforts to underserved host communities and pastoralist populations in Darfur. Arab pastoralists continue to express dissatisfaction regarding perceived marginalization by the Sudanese government and lack of international attention throughout the Darfur crisis.

¶12. (U) The USAID delegation has cleared this cable.

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